

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EDMONSON)	
COUNTY WATER DISTRICT PURSUANT TO KRS)	
278.023 AND 807 KAR 5:069 FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE TO)	CASE NO.
EXPAND ITS WATER TREATMENT PLANT AND)	2019-00355
RELATED WATERWORKS IMPROVEMENTS,)	
AND ADJUSTMENT OF ITS RATES FOR WATER)	
SERVICE; AND AUTHORIZATION TO ISSUE)	
CERTAIN SECURITIES)	

ORDER

On October 10, 2019, Edmonson County Water District (Edmonson District) tendered for filing an application, pursuant to KRS 278.023 and 807 KAR 5:069, for a Certificate of Public Convenience and Necessity (CPCN) for the expansion of its water treatment plant and other waterworks improvements, approval of its plan to finance the proposed project, and an adjustment of its water rates. Commission Staff issued discovery requests on October 22, 2019, and Edmonson District filed responses to the discovery on October 23, 2019. No person has sought intervention in this matter, and Edmonson District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

The Commission notes that in its 2018 Annual Report, Edmonson District reported a water loss of 25.4962 percent. Commission regulation 807 KAR 5:066(6)(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.

Reduction of Edmonson District’s water loss to 15 percent would result in an approximate \$32,941¹ decrease to its cost of water. Potentially, Edmonson District is paying \$0.08 per 1,000 gallons sold, for expenses associated with water loss greater than 15 percent.²

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent water loss threshold and strongly encourages Edmonson District to pursue reasonable actions to reduce its water loss. Failure by Edmonson District to make significant progress towards reducing water loss may cause the Commission to pursue additional action with the utility.

Edmonson District, a water district organized under KRS Chapter 74, provides retail water service to approximately 10,518 water customers,³ in Butler, Edmonson, Grayson, Hart, and Warren counties, Kentucky.⁴ Edmonson District also provides water for resale to the city of Brownsville, Kentucky,⁵ and owns and operates facilities that are

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Purchased Power for Pumping	\$	233,750
Chemicals		80,084
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Cost of Water		313,834
Times: Line Loss Above 15 Percent		10.4962%
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Expense Reduction to Cost of Water	\$	32,941
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² Potential water expense reduction divided by sales (\$32,941/(426,807,000/1,000) equals \$0.077/1,000.

³ *Annual Report of Edmonson County Water District for Water Operations for the Year Ended December 31, 2018*, at 63.

⁴ *Id.* at 12; Application at 2.

⁵ Application at 2.

used to provide sewage collection and treatment services to approximately 58 customers in Edmonson County.⁶

Edmonson District proposes to construct approximately 2,750 feet of four-inch water main for the purpose of serving an additional customer and to interconnect its water system with Green Valley Water District's water system.⁷ The Commission notes that Edmonson District has not filed a water agreement with Green Valley Water District. The Commission expects Edmonson District to file such an agreement with the Commission within 90 days of the issuance of this Order. It also proposes to construct 20,955 feet of three-inch and four-inch water main and install a pressure booster station to serve twenty-five new and existing customers and to eliminate long individual service lines.⁸ Finally, Edmonson District proposes to install hydrants for flushing and other purposes and to install leak detection meters to control and reduce its water loss.⁹

The total estimated cost of the proposed project, including but not limited to engineering, construction, legal, administrative, environmental, plus interest and contingencies, is approximately \$1,290,000.¹⁰ Edmonson District proposes to finance the cost of the proposed project through the issuance of \$1,032,000 of its Waterworks Revenue Bonds, and a grant of \$258,000 from the United States Department of Agriculture (USDA) acting through Rural Development (RD).¹¹ RD has committed to

⁶ *Id.*

⁷ Application at 3.

⁸ *Id.*

⁹ *Id.*

¹⁰ Application at 3; Exhibit 4, Edmonson District's Final Engineering Report.

¹¹ Application at 4.

purchase all of the Waterworks Revenue Bonds with the bonds maturing over a 40-year period at an interest rate not to exceed 3.125 percent per annum.¹²

Under the proposed rates, the monthly bill of a retail customer who uses 3,078 gallons of water per month will increase from \$20.74 to \$22.37, or approximately 7.9 percent.¹³

Edmonson District has submitted its application pursuant to KRS 278.020 and KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and the USDA/RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between the USDA/RD and Edmonson District or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water utility's proposed facilities will result in the wasteful duplication of facilities, excessive investment, or its proposed rates are unfair, unjust, or unreasonable. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

¹² *Id.*

¹³ Exhibit 12, Notice of Proposed Rate Change.

IT IS THEREFORE ORDERED that:

1. Edmonson District is granted a CPCN for the proposed project as submitted.
2. Edmonson District's proposed plan of financing is approved.
3. Edmonson District is authorized to issue Waterworks Revenue Bonds in the amount of \$1,032,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 3.125 percent per annum.
4. The proceeds from the bonds shall be used only for the purposes specified in Edmonson District's application.
5. Edmonson District is authorized to obtain a grant in the amount of \$258,000 from USDA/RD.
6. Edmonson District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
7. Notwithstanding ordering paragraphs 4 and 6, if surplus funds remain after the approved construction has been completed, Edmonson District may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction, and it will not result in a change in Edmonson District's rates for service. Edmonson District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
8. Edmonson District shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs (e.g., engineering, legal, and administrative) within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant

accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

9. Edmonson District shall file a copy of the “as-built” drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

10. Edmonson District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

11. Edmonson District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

12. The rates set forth in the Appendix to this Order are approved for service that Edmonson District renders on and after the date of this Order.

13. Within 20 days of the date of entry of this Order, Edmonson District shall file revised tariff sheets with the Commission, using the Commission’s electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

14. Edmonson District shall file a water agreement with the Commission as discussed in the findings above within 90 days of the issuance of this Order.

15. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 9, and 11 of this Order shall reference this case number and shall be retained in the post-case correspondence file.

16. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Edmonson District's showing of good cause for such extension.

17. This case is closed and removed from the Commission's docket.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

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By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00355 DATED **NOV 07 2019**

The following rates and charges are prescribed for the customers in the area served by Edmonson County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Retail Rates

First	1,500 Gallons	\$ 14.00 Minimum Bill
All Over	1,500 Gallons	5.30 per 1,000 Gallons

Wholesale Rate

City of Brownsville	3.13 per 1,000 Gallons
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